



DEPARTMENT OF THE ARMY
HEADQUARTERS UNITED STATES ARMY FORCES COMMAND
1777 HARDEE AVENUE SW
FORT MCPHERSON GEORGIA 30330-1062

REPLY TO
ATTENTION OF

AFLG-PR (715-6a)

5 March 2002

MEMORANDUM FOR DIRECTORS OF CONTRACTING

SUBJECT: Contracting Information Letter (CIL) 02-16, National Institute for the Severely Handicapped (NISH) Overhead Charge in OMB A-76 Commercial Activity (CA) Studies

1. Recently a question has arisen over NISH proposal costs. At issue is whether or not the usual four percent overhead charge should be included in the NISH bottom-line price in a Commercial Activities (CA) Study. NISH can participate in a CA Study either by direct conversion or by "head-to-head" cost comparison against the government's Most Efficient Organization (MEO) price.

a. In direct conversion commercial activities studies, the four percent overhead charge is added to the fair market price to fund the NISH programs and it is included in the proposal price.

b. In head-to-head competition commercial activity studies, NISH has contended that the 4 percent overhead charge should either be excluded from their proposal price that is compared with the government MEO or added to the government's MEO to "level the playing field" for purposes of cost comparison. Then, if NISH were to win the competition, the total cost of the contract would include the four percent overhead charge.

c. Since the four percent is a cost to the government under a NISH contract, it should be included in their proposal price. In a competitive environment, the NISH proposal price, including the four percent, must be ten percent lower than the government MEO to win the cost comparison. It is not a requirement for the government to include the four percent cost as part of the MEO.

2. This position was coordinated with the FORSCOM DCSPIM and OSJA, as well as with the subject matter point of contact in ASA(ALT). They coordinated with ACSIM and DoD.

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3. For additional information, contact Ms. Bonnie Kennedy at DSN 367-5602 or email: bonnie.kennedy@us.army.mil.

A handwritten signature in black ink, appearing to read "Charles J. Guta", with a horizontal line extending to the right.

CHARLES J. GUTA

Colonel, AC

Chief, Contracting Division, DCSLOG

**Principal Assistant Responsible
for Contracting**